



OFFICE OF THE
CITY AUDITOR

**AN AUDIT OF THE CITY'S
NON-PERSONAL EXPENDITURES
FOR THE FISCAL YEAR 1984-85**

A REPORT TO THE
SAN JOSE
CITY COUNCIL
MARCH 1986

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EXECUTIVE SUMMARY

In accordance with City Charter Section 805(a), the Office of the City Auditor has conducted an audit of the City's Non-Personal Expenditures for the fiscal year 1984-85.

Our audit disclosed that the City of San Jose could have saved a minimum of \$8,700, and possibly as much as \$265,500 in 1984-85, by instituting new procedures or following established procedures relating to payment of non-personal expenditures.

We found that the City's savings would have been realized in the following areas:

<u>AREAS OF POTENTIAL SAVINGS</u>	<u>POTENTIAL SAVINGS</u>	
	<u>MINIMUM</u>	<u>MAXIMUM</u>
LOST DISCOUNTS	\$ 6,900	\$156,900
OVERPAYMENTS TO VENDORS	<u>1,800</u>	<u>108,600</u>
TOTAL	\$ <u>8,700</u>	\$ <u>265,500</u>

We also identified various internal control weaknesses which have caused noncompliances with established City policies and procedures.

When 1984-85 is compared to 1983-84, the level of accuracy and compliance with established procedures has significantly declined.

RECOMMENDATIONS

We recommend:

Recommendation #1:

The Office of Management and Budget and the Finance Department establish procedures to provide for the timely processing of vouchers involving purchase discounts to enable the City to take advantage of such discounts. (Priority 2)

Recommendation #2:

The Finance Department's Accounting Division implement procedures to record lost discounts in the City's accounting system. (Priority 2)

Recommendation #3:

The Finance Department prepare written procedures for the Accounts Payable staff to guide them in pre-auditing requests for payment. (Priority 2)

Recommendation #4:

The Finance Department's Accounts Payable Section maintain a record of errors and other deficiencies in payment requests from originating Departments, as a means of determining each Department's level of compliance with established policies and procedures. (Priority 2)

Recommendation #5:

The Office of Management and Budget and the Finance Department establish a program to train Departmental administrative staffs in the preparation of payment requests. (Priority 2)

BACKGROUND

The Finance Department, the General Services Department - Purchasing Division and the City Department making the purchase each have specific responsibilities for documenting payments to vendors who supply goods and services. Different procedures and documentation apply for different purchases depending on the type of good or service and the urgency of the purchase. Attachments X through XIII describe the procedures and documentation required in each circumstance. Each of these procedures and documentation are described below:

Open Purchase Orders (Attachment X)

City Departments use Open Purchase Orders to purchase frequently ordered items. Open Purchase Orders specify a vendor, period of time and pre-determined dollar amount. Departments use Partial Payments Vouchers to pay for Open Purchase Order purchases.

Itemized Purchase Orders (Attachment XI)

City Departments usually use Itemized Purchase Orders to purchase goods or services in excess of \$30. The Departments issue a completed requisition form to the Purchasing Division. The Purchasing Division selects the vendor and issues an Itemized Purchase Order to the vendor prior to goods being delivered or services provided.

Confirming Purchase Orders (Attachment XII)

City Departments use Confirming Purchase Orders to acquire urgently needed goods or services when time constraints preclude using an Itemized Purchase Order.

Special Payment Demands (Attachment XIII)

City Departments use Special Payment Demands to pay specific obligations listed in Section 252.8A of the City Administrative Manual. Examples of Special Payment Items are: to establish or increase a petty cash or change fund; bond interest or redemption

payments; payments made in settlement of legal claims; payments for utilities and telephone; and payments for insurance premiums.

In general, City Departments prepare purchase requisitions for goods and services and forward them to the General Services Department-Purchasing Division, for the placement of the orders.

The Central Warehouse receives most ordered goods. However, all services and certain goods are delivered directly to the requesting Department. The Purchasing Division determines which goods may be delivered directly. Either the Central Warehouse or the receiving Department checks the goods received against the vendor's packing slip or prepares a receiving report if a packing slip is not available. Departments check services rendered against vendor work slips.

Departments prepare vouchers, compile the documents to support the payment request, and forward the documents to the Purchasing Division. The Purchasing Division forwards the documents to the Accounts Payable Section after reviewing and approving the payment request.

The Accounts Payable Section in the Finance Department pre-audits the voucher and documents for correct computation,

payment terms, and discounts. After approving the vouchers for payment, the Accounts Payable Section batches the vouchers and forwards them to the Information Services Department for processing. Once a week, Information Services prints the checks to pay the vendors.

A manual check writing procedure is also available to take advantage of purchase discounts and to pay other bills which do not fall under the normal procedures described above. These checks may be for such items as:

- Taxes with due dates;
- Payments to take advantage of purchase discounts;
- Travel advances
- Registration fees; and
- Department requests for sundry emergency payments.

AUDIT SCOPE

During fiscal year 1984-85, the Finance Department issued 35,224 checks and electronic fund transfers representing payments of \$267.4 million. To determine Finance's and other City Departments' compliance with established City policies and procedures and to assess the adequacy of these policies and procedures, we selected both random and judgmental samples of checks and electronic fund transfers for audit.

Our audit samples were as follows:

- a. Random Sample of 585 checks. We selected a random sample of 585 checks from all computer printed checks of less than \$100,000. The aggregate value of the checks in our random sample was \$1.4 million. We used this random sample as the basis for our statistical projections for lost discounts and overpayments.
- b. Judgmental Sample of 598 checks and electronic fund transfers. We reviewed the documentation for all the checks issued for \$100,000 or more. There were 362 checks in this category, representing payments totaling \$174.2 million.

We also reviewed the documentation for all the electronic fund transfers. There were 22 such transfers, representing payments totaling \$11.7 million. Finally, we selected 214 other checks, with a total value of \$1.3 million, which were manually prepared or represented petty cash and revolving fund reimbursements. The purpose of the judgmental sample was to expand the coverage of our review of transactions that were material or processed under special (handwritten) procedures.

The results of our audit of the above payments are summarized in Attachment I, together with a comparison with the previous fiscal year's audit results. As shown in Attachment I, we found significantly more exceptions during fiscal year 1984-85 than during the previous fiscal year for six of the eight types of exceptions noted.

FINDING 1

THIS CITY COULD HAVE SAVED AT LEAST \$6,900
AND POSSIBLY AS MUCH AS \$156,900 BY
TAKING ADVANTAGE OF ALL VENDOR-OFFERED DISCOUNTS

In our random sample, we identified \$1,371 of vendor-offered discounts (see Attachment II) which were lost because delays in the documentation and/or payment process resulted in late payments. Based upon our sample results, we calculate that the City lost between \$6,900 and \$156,900 in discounts during fiscal year 1984-85, with the highest probable loss being \$81,900. It should be noted that the lost discounts from our random sample ranged from \$1.44 to \$452.16. Because of this wide dispersion of sample results, our estimate of actual losses was of necessity inexact. In addition, our judgmental sample of 598 checks yielded five payments in which vendor-offered discounts were not taken. Lost discounts in these five payments totaled \$4,675.18. The two largest discounts were for \$2,200.00 and \$1,259.81.

Vendor-offered discounts are reductions in invoice amounts allowed by vendors to encourage their customers to pay their bills promptly. For example, a vendor may allow the City to deduct 2% from the purchase price if the City pays the amount within 10 days from delivery of the goods.

The General Services Department's Purchasing Division is responsible for indicating the discount terms on the itemized purchase order and stamping "CASH DISCOUNT" on the pink copy of the purchase order if a cash discount is available. The Department making the purchase is responsible for indicating the discount terms on the Partial Payment Voucher. On an itemized Purchase Order, the Department making the purchase is responsible for forwarding receiving reports and other purchase documents to Purchasing within 24 hours of receipt. Based on the receiving dates stamped on the payment documents by Purchasing and Accounts Payable, the delays appear to be caused by Departments not forwarding the required documents to Purchasing and Accounts Payable on time.

At the Accounts Payable Section, no special preliminary review is done for potential discounts to be taken. Unless "flagged" for special handling, all vouchers are routinely reviewed. Not all documents involving purchase discounts are flagged. Of the 22 payments listed in Attachment II, only 6 showed the "CASH DISCOUNT" stamp. Furthermore, according to the Accounts Payable Supervisor, even if a voucher shows a purchase discount, it may not be expedited through the handwritten check procedure if the discount is not over \$35. According to the Administration, \$35 is the informal estimate of the additional cost for processing a handwritten check.

Additionally, the current accounting system does not generate or capture information that would allow the City Administration to determine the extent of lost discounts as they occur. Expenditures are recorded at gross amount and lost discounts are not separately identified. In our opinion, expenditures should be recorded net of available discounts and any discounts subsequently lost should be charged to a distinct expenditure detail in the cost center of the Department responsible for losing the discount. Such an approach would

- 1) provide for an exact calculation of lost discounts and
- 2) charge lost discounts to the Department responsible for losing the discount.

CONCLUSION

Based on our review, we determined that the City could have saved at least \$6,900 and possibly as much as \$156,900 in fiscal year 1984-85 in vendor-offered discounts if checks for payment were issued within the discount period. These savings were not realized because of delays in the documentation and/or payment process. In addition, the current accounting system does not generate or collect information that would alert the City Administration to the extent of the lost discounts and facilitate the assignment of responsibility to the proper Department.

RECOMMENDATIONS

It is recommend that:

Recommendation #1:

The Office of Management and Budget and the Finance Department establish procedures to provide for the timely processing of vouchers involving purchase discounts to enable the City to take advantage of such discounts.

(Priority 2)

Recommendation #2:

The Finance Department's Accounting Division implement procedures to record lost discounts in the City's accounting system. (Priority 2)

FINDING 2

OVERPAYMENTS OF AT LEAST \$1,800 AND POSSIBLY AS MUCH AS \$108,600 WERE MADE AND INCIDENCES OF PROCEDURAL NONCOMPLIANCES RESULTED FROM UNFAMILIARITY WITH CITY PROCEDURES

We found overpayments totaling \$1,766* in our audit samples. Based on our sample results, we calculate that the City's total loss from overpayments was between \$1,800 and \$108,600, with the highest probable loss being \$40,300. In addition, our review of non-personal expenditures also disclosed internal control exceptions that did not result in lost funds to the City but indicated incidences of noncompliance with City procedures.

OVERPAYMENTS

The overpayments we noted resulted from the failure of the Department making the purchase to review sufficiently the vendor's invoice to assure that all charged items were valid (see Attachment III).

*The two overpayments amounting to \$679.73 that we found in our random sample and the two amounting to \$1,086.05 included in our judgmental sample (see Attachment III) had not been recovered nor resolved prior to our bringing them to the attention of the Finance Department.

One overpayment for \$586.73 was the result of a vendor overbilling which General Services, the responsible Department, did not detect before sending the voucher to Accounts Payable. The other overpayment for \$92.80 was the result of paying an employment agency for the services of a temporary employee at a rate in excess of that specified in the Purchase Order. The Water Pollution Control Plant, the responsible Department, apparently did not compare the vendor's invoice to the Purchase Order in processing the payment request.

From our judgmental sample of 598 checks, we identified two overpayments totaling \$1,086.05. One overpayment for \$1,086.00 was for vehicle purchases. Specifically, the City paid \$1,086.00 in license fees, which in fact the City is exempt from paying. The other overpayment was for 5 cents and was the result of a computation error.

Procedural Noncompliances

-- Deficient Approving Signatures

From our random sample of 585 checks, we identified 10 checks for which the supporting documentation showed deficient approving signatures (see Attachment V). In four of these, the supporting document was not signed to indicate approval of payment. In another five, the receiving tag (packing slip) was not signed by the person authorized in the Purchase Order.

During the pre-audit process, the Accounts Payable staff does not check all the receiving tags or invoices since the Purchasing Division is responsible for reviewing them. The Accounts Payable staff considers the whole payment request as properly approved if the Purchase Order or Confirming Purchase Order bears an authorized approving signature.

The one other exception was the result of a Deputy at the General Services Department approving a payment over his authorized limit. The Accounts Payable staff is instructed to review the vouchers for this type of exception and the supervisor called this matter to the attention of the person who had pre-audited the voucher. According to the Materials and Services Manager, the payment was valid.

-- Noncompliance with Expenditure Limitations

City Departments use the Open Purchase Order to purchase frequently-needed items. Open Purchase Orders specify a vendor, period of time, and pre-determined dollar limit. It is the responsibility of the Department making the purchase to

- 1) prepare the Partial Payment Voucher for Open Purchase Order purchases and
- 2) ascertain that the vendor adheres to the terms of the Open Purchase Order.

Two noncompliance exceptions in our random sample (see Attachment VI) were caused by Departments that had made purchases against their respective Open Purchase Orders for amounts exceeding the dollar limits established for the specific items. The Departments obtained the Open Purchase Orders for a term of one year. During the period, prices had increased and the Departments failed to obtain authorization to raise the dollar limits on the items to be purchased.

The other exception, found in our judgmental sample, was caused by a City employee who claimed and received mileage reimbursement for travel from home to worksite. City policy does not allow such reimbursement (see City Administrative Manual Section 143.31c)

-- Inadequate Supporting Documentation

Sixteen vouchers in our random sample had inadequate supporting documentation (see Attachment VII). All 16 were travel reimbursement claims that did not show one or more details (such as origin, destination, purpose of travel, and beginning and ending odometer readings) required by the City Administrative Manual. The Departments should have ascertained that all this information was reported in the travel reimbursement claims before forwarding them to Accounts Payable.

-- Incorrect Use of Forms

We found one exception in our random sample and three exceptions in our judgmental sample in which incorrect forms were used in processing payments (see Attachment VIII). All four instances involved the use of Confirming Purchase Orders. Thus, it appears that the Departments were either 1) not thoroughly familiar with the City Administrative Manual requirements regarding Confirming Purchase Orders or 2) chose to disregard those requirements.

-- Computation Errors

In our judgmental sample, we found three errors in computation (see Attachment IX) which were made in calculating the fund transfers for the City contributions to the City's retirement funds. The Finance Department's Payroll Section, however, had procedures for reconciling retirement system contributions and these errors would have been discovered and corrected in the next pay period, as indeed they were.

-- Late Payments

The Materials and Services Manager informed us that payments made more than 40 days from the receipt of goods or

services are considered late payments. After 40 days, vendors will usually start demanding payment and may charge interest on the unpaid amounts.

Using 40 days from the receipt of goods or services (or invoice date, if later) as the criterion, we identified as late payments 10 checks from our random sample of 585 checks. These 10 checks were issued from 49 to 128 days from the receipt of goods or services (see Attachment IV). From our judgmental sample of 598 checks, we identified as late payments 4 checks that were issued from 58 to 131 days from the receipt of goods or services. We did not identify any interest charges or penalties resulting from the late payments in our samples.

-- Written Procedures

We reviewed the procedures followed by the Accounts Payable Section in pre-auditing payment requests. We found that the employees in this section are individually trained by the Accounts Payable supervisor and the employees are expected to take notes. As the supervisor issues new instructions, the employees update their own notes. No current compilation of instructions or standard procedures is available.

According to the Accounts Payable Supervisor, there used to be standard written procedures in her section. However, the Supervisor took away the written procedures because of numerous procedural changes. She has not updated and reissued these procedures due to time constraints.

In our opinion, written standard procedures should be developed in order to 1) aid in the training of new personnel in the Accounts Payable Section, 2) facilitate the dissemination of correct and consistent information to all Section staff, and 3) orientate a new supervisor in the event the current supervisor leaves.

-- Record of Errors and Deficiencies

One of the functions of the Accounts Payable Section is to review payment requests for correctness and compliance with established procedures. If errors are noted, the payment request is either returned to the originating Department or corrected by the Accounts Payable staff. The supervisor estimates that errors are noted in 30% of the payment requests received at the Accounts Payable Section.

In our opinion, procedures need to be developed to provide feedback to the originating Departments regarding the errors and deficiencies detected in their payment requests.

Such procedures will initially alert City Departments of instances of faulty requests and ultimately result in fewer faulty requests being submitted. Further, the Accounts Payable Section should maintain a record of errors and other deficiencies in payment requests from originating Departments. This record should be used in evaluating and reporting each Department's level of compliance with established policies and procedures.

-- City-wide Training in the Preparation of Payment Requests

We surveyed ten City Departments and asked the administrative staff responsible for preparing payment requests if they needed training in procedures for processing payment requests. Of the ten employees surveyed, seven indicated that such training would be beneficial. The Accounts Payable supervisor also agreed that City-wide training in the preparation of payment requests was needed. Her opinion was based on the frequency of Accounts Payable detected errors in payment requests. The last City-wide training sessions in the preparation of payment requests were held in March 1979.

CONCLUSION

Overpayments of at least \$1,800 and possibly as much as \$108,600 resulted because Departments making the purchases

did not review sufficiently vendor invoices to assure that all items charged were valid. In addition, the Accounts Payable Section does not have current written standard procedures issued to its staff. Further, the Accounts Payable Supervisor estimates that errors occur in 30% of Department submitted payment requests. These instances of noncompliance with established City policies and procedures resulted from City Departments not being sufficiently familiar with City procedures. City Department administrative staffs have indicated the need for a new training program. The last City-wide training in the preparation of payment requests was conducted in 1979.

RECOMMENDATIONS

It is recommended that:

Recommendation #3:

The Finance Department prepare written procedures for the Accounts Payable staff to guide them in pre-auditing requests for payment. (Priority 2)

Recommendation #4:

The Finance Department's Accounts Payable Section maintain a record of errors and other deficiencies in payment

requests from originating Departments, as a means of determining each Department's level of compliance with established policies and procedures. (Priority 2)

Recommendation #5:

The Office of Management and Budget and the Finance Department establish a program to train Departmental administrative staffs in the preparation of payment requests. (Priority 2)

CITY OF SAN JOSE - MEMORANDUM

TO: Honorable Mayor and City Council
SUBJECT: RESPONSE TO 1984-85 AUDIT OF
NON-PERSONAL EXPENDITURES

FROM: Edward G. Schilling
Director of Finance
DATE: March 4, 1986

APPROVED

DATE

The 1984-85 Audit of Non-Personal Expenditures highlights several areas of concern to the Finance Department, as well as providing useful information for evaluating the efficiency of current operations. The payment of non-personal expenditures encompasses three primary areas of responsibility: those of each department's fiscal staff; the Purchasing Division of General Services; and finally the Accounts Payable Section of Finance.

In researching the instances of delayed payments and lost discounts documented by the Auditor, it became clear that each of these actors has a significant role to play in ensuring that payments are timely, that vendor relationships are maintained, and that the City does not lose potential discounts. The Accounts Payable Section has a clear responsibility for training departments in the current payment procedures and use of payables documents, as well as in documenting their own internal accounting functions. However, the point of the audit is missed if the reader is left with an impression that these actions alone will correct the problems identified. Responsibility must be accepted at the departmental level for quick and accurate processing of invoices, receiving documents, purchase orders, etc. to ensure that payment of City expenditures is efficient and effective.

RECOMMENDATION 1: The Office of Management and Budget and the Finance Department establish procedures to provide for the timely processing of vouchers involving purchase discounts to enable the City to take advantage of such discount.

RESPONSE: While Accounts Payable does not have formal, written procedures for expediting the payment of vouchers involving cash discounts, there are explicit procedures followed by Section staff to ensure that such requests receive priority treatment. Special (manual) checks are prepared for any such requests which cannot be accommodated within the weekly payment cycle, and which involve a potential loss of a cash discount in excess of the clerical cost involved in processing a special check. In the past, this "cut-off" point has informally been set at \$35: based upon current costs, Accounting plans to increase this "cut-off" to \$100, subject to a more detailed review of processing requirements.

The desirability of having formal written procedures is recognized and Accounting has set as a goal updating all the existing Accounts Payable procedures by November, 1986. Until that time Accounting will continue to follow the existing explicit informal procedures. Several factors contribute to the Division's inability to complete the procedures more expeditiously. The volume of payment requests has been growing explosively over the past several years.

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Consequently, the Accounts Payable Section regularly puts in extensive overtime just to maintain the weekly issuance of vendor checks. Over the past six months the extended absence of the Senior Accountant in charge of the Section due to a heart attack, has exacerbated the problem, and little time has been available to devote to updating the Accounts Payable procedures. The addition of a Financial Analysis Section in Accounting is intended to provide resources for procedure documentation, but other priorities such as fixed assets and investments will require intensive attention, and will realistically take priority over Accounts Payable despite the limited resources available in that unit.

RECOMMENDATION 2: The Finance Department's Accounting Division implement procedures to record lost discounts in the City's accounting system.

RESPONSE: The Finance Department does not agree with this recommendation. In order to implement this recommendation with the current accounting system, Accounts Payable would have to calculate the cash discount for each invoice, arrive at the total difference, compare it to the voucher amount, and recode the voucher appropriately. Over the past several years Accounts Payable has been gradually decreasing their oversight function as clerical demands became overwhelming. Because of the increased volume of transactions, Accounts Payable no longer checks unit price/cost calculations or reviews for accuracy confirming purchase orders, partial payment vouchers on open purchase orders, or purchase orders. The responsibility is left to the ordering department and to Purchasing. In addition, departments are the only check for mileage reimbursements, Library book purchases, and utility payments. Accounts Payable still reviews thoroughly contract payments, partial payments on award of contracts, miscellaneous encumbering documents for professional services, and all special payment demands accompanied by a formal written contract. Any other documents are scanned for reasonableness and adequacy of supporting documentation only. The additional requirement recommended by the Auditor would necessitate more staff. If such additional staff were available to enhance the Section's effectiveness, Accounting would recommend the restoration of oversight functions as a far higher priority than calculating potential lost discounts and recording them in the City accounting system.

The City's Three Year Information Systems Plan anticipates development of a City-wide automated Accounts Payable System. This system would facilitate the expeditious handling of invoices which offer discounts. Additionally, it could be programmed to capture information on where discounts were available, but not realized. A telephone survey of seven large California cities reveals that none are using their basic accounting system to capture this discount information. The four cities which keep track of discounts use either manual or subsidiary systems for this purpose.

RECOMMENDATION 3: The Finance Department prepare written procedures for the Accounts Payable staff to guide them in pre-auditing requests for payment.

RESPONSE: Accounting concurs with the Auditor in the desirability of having formal written procedures for all elements of the Accounts Payable function. As mentioned above, resources are not available currently to devote to this task. When these resources are available (November 1986), Accounting plans to develop procedures describing the current pre-audit practices which do not include checking for authorized signatures on invoices or receiving documents, individual petty cash receipts, and mileage reimbursement requests. In our opinion, cost of the accounting time which would be required to pre-audit those items would not produce an equivalent benefit to the City.

RECOMMENDATION 4: The Finance Department's Accounts Payable Section maintains a record of errors and other deficiencies in payment requests from originating departments, as a means of determining each department's level of compliance with established policies and procedures.

RESPONSE: The Finance Department does not concur with this recommendation. Accounts Payable currently keeps a log of all major errors sent back to the departments for correction. They also keep a listing of employees who consistently submit incorrect payment documents, with copies of the errors. Keeping a comprehensive log of all errors and deficiencies in order to evaluate compliance with established policies and procedures would involve significant clerical time, currently not available.

RECOMMENDATION 5: The Office of Management and Budget and the Finance Department establish a program to train departmental administrative staff in the preparation of payment requests.

RESPONSE: Accounting concurs that departmental training in preparation of payment requests is highly desirable and overdue. Such training sessions were originally planned for November, 1985, but the heart attack and subsequent absence of the Senior Accountant in charge of Accounts Payable has delayed this effort. Barring additional staffing problems in this section, Finance plans to initiate rudimentary training in preparation of payment requests for City personnel upon completion of the 1985-86 Audit. Accounting believes that both first-line supervisors and clerical staff should be the focus of training, so that changes in clerical staff will not leave the departments unequipped to process daily payment demands.

The following comments are addressed to the attachments appended to the compliance Auditor's Report:

Attachment 1: Accounts Payable is pleased that their diligent review has resulted in two years of exception-free account codes.

Attachment 2: All the items in the judgmental sample were researched to determine where the problem in payment processing occurred. Two items of procedure are important to note: first, all invoices are supposed to be sent by vendors directly to Accounting to avoid delays in payment; and second, Accounts Payable cannot pay invoices until an approved receiving copy is given to them by the department or General Services.

1. James Chevrolet: The original invoice was not sent to Accounts Payable by the vendor. Accounts Payable had to call the department (General Services) on 8/29/84 to request the invoice. Payment was made the same day.
2. Granite Rock Co.: Again, the original invoices went directly from the vendor to Neighborhood Maintenance. Payment terms were 20 days. The invoices were dated 9/15/84 and 9/22/84; the voucher was prepared by the department on 9/28/84; was received by Purchasing on 10/3/84; was received by Accounts Payable on 10/4/84; and was paid by a special check on 10/11/84. A cash discount was taken on the second invoice.
3. National Coach: Discount terms for this vendor were .5% at 10 days. The voucher covered two purchase orders. None of the invoices were dated, but they did reflect shipping dates of 10/23, 11/15, and 11/20 respectively. Invoices were received from the vendor in Accounts Payable within a few days of shipping. They sat there, awaiting receiving reports, which were prepared by the Airport on 11/29/84. Accounts Payable received authorization to pay on 12/4/84, and issued checks on 12/5/84.
4. West Coast Safety: Discount terms were 2% at 10 days. The invoices involved were dated 11/6 through 11/30/84. The department (General Services) prepared the voucher on 12/17/84; it was received by Purchasing on 12/19/84; was received by Accounts Payable on 12/20/84, and was paid by special check on 12/27/84.
5. Associated Systems: This delay was caused by a billing problem. An invoice was sent on 1/4/85, but was not itemized as is required on a partial payment. In addition, the sales tax charged was incorrect. An itemized invoice was not issued by the vendor until 3/28/85. The partial payment voucher was prepared by Purchasing on 4/11/85 and received by Accounting on the same day. It was paid by special check on 4/17/85.

Attachment 3: On the overpayment to Frontier Ford (\$1,086.00): It is Purchasing's responsibility to determine whether or not the City is liable for license fees. On the overpayment to Santa Clara County: The cost-effectiveness of determining this five cent computational error appears questionable. On the Keenan Supply and Applegate Personnel Agency overpayments: the departments involved failed to verify the accuracy of invoices.

Attachment 4: Accounts Payable checked into the six worst cases of delayed payment. In all six cases, it was the department which had delayed payment, not Purchasing or Accounts Payable.

<u>Department</u>	<u>Vendor</u>	<u>Time Delay</u>	<u>Reason</u>
General Services	Electric Battery Station	70 days	The voucher was prepared by the department on 1/2/85; was received by Purchasing on 1/3/85; was received by Accounting on 1/4/85; and was paid on 1/9/85.
Personnel	Plateau 7	70 days	The bill submitted was for five old unpaid charges from 1/27/81 to 11/8/83. Since the invoices were photocopies, Accounts Payable had to pull records from the Records center for two fiscal years. Upon checking the paid files it was discovered that two of the bills had already been paid by the Personnel Department, and these were deleted from the voucher. The voucher was prepared by the department on 11/20/84; received by Purchasing on 11/23/84; was received by Accounting on 11/27/84; and was paid on 12/26/84.
Library	U.S. Government	77 days	The voucher was prepared by the department on 12/19/84, and was received in Accounting on 12/28/84. It had to be returned to the department to sign the SPD, but when it was returned on 1/8/85, Accounts Payable issued a check the following day.

<u>Department</u>	<u>Vendor</u>	<u>Time Delay</u>	<u>Reason</u>
General Services	Hassan Janitorial Services	81 days	The voucher was prepared by the department on 11/29/84; was received by Purchasing on 12/11/84; was received by Accounting on 12/12/84; and was paid on 12/19/84.
Airport	LeDeit Brothers	128 days	The voucher was prepared by the department on 5/31/85; was received by Purchasing on 6/4/85; was received by Accounting on 6/6/85; and was paid on 6/12/85.
Attorney	County of Santa Clara	131 days	The voucher was prepared by the department on 1/31/85; was received in Accounting on 2/1/85; and was paid on 2/6/85.

Attachment 5: The only deficient approving signature that should have been caught by Accounts Payable under current procedures was the purchase order to Mardon Body Shop, in which a deputy who was authorized to approve purchases up to \$5,000 approved a P.O. for \$5,858.78. Purchasing, however, has equal responsibility, since they maintain a complete record of all deputized signatures with related limits for approval. All the others should have been caught by Purchasing.

Attachment 6: On the Library petty cash expenditure: The time required to review each individual petty cash receipt is not currently available in Accounts Payable. This is the department's responsibility. With the \$30 limit on each petty cash transaction, it is doubtful whether Accounts Payable oversight would be cost effective. On the Northern Distributing Co.: buyers are authorized to approve billed amounts exceeding limitations, and did so in this case.

Attachment 7: As mentioned previously, the departments are responsible for checking travel reimbursements.

Attachment 8: On the two confirming purchase orders to California Combat Association (\$456.81) and Hassan Janitorial Service (\$10,738.00): Purchasing should not have issued C.P.O.'s if this was not the appropriate payment document.

Respectfully submitted,



Edward G. Schilling
Director of Finance

CITY OF SAN JOSE—MEMORANDUM

RECEIVED
MAR 12 1986

CITY AUDITOR

TO Les White, Assistant City Manager
SUBJECT AUDIT REPORT OF N/P EXPENDITURES 1984-85

FROM James R. Daniels
DATE March 11, 1986

APPROVED

DATE

The purpose of this memorandum is to provide you with the comments of the Department of General Services relative to the Audit Report of Nonpersonal Expenditures 1984-85.

Background

I have reviewed the response prepared by Ed Schilling, Director of Finance, and I am in agreement with his response to each recommendation. I feel that there are additional comments to be made on behalf of the Administration since the audit recommendations presume that the City must take advantage of discounts. I believe that presumption is undesirable. As a matter of form almost every bill that we receive has a ten day, or twenty day discount for paying on a time basis. Purchasing on the other hand negotiates a lot of discounts that are already in the price without regard to the billing. To presume that we must take advantage of every discount does a disservice to the Administration. For instance, in one of the audit report findings we missed a discount of \$2200. In our view, it was more important that we check the equipment out, make sure that it was in working order, and not jeopardize a \$217,000 purchase. While the Purchasing Division has not maintained formal records, it is my belief that these negotiated discounts have been cost-effective and produced numerous economies.

Ten Day Discounts

Only those purchases made on a Friday could possibly make the ten day deadline for offered discounts. This is due to the fact that appropriate documentation must be in the Finance Department by noon Monday in order for a check to be mailed by Finance and Accounting on Fridays of each week. This is a long established routine. The earliest that a local vendor would receive a check in the U. S. Mail would be Monday. Counting back ten days would be the Friday preceeding the mailing date. Items received Monday through Thursday, therefore, cannot make the deadline.

Both the Purchasing Division and the individual departments are responsible for insuring that items received are correct and undamaged prior to authorizing payment. In the case of individual departments the authorized person accepts the item, checks it for correctness, signs the receiving tag and forwards the tag to the department fiscal section. The department fiscal section must take the vendor invoice received from the Finance Department, match the receiving tag to the invoice, prepare a payment voucher, obtain the Director's or Deputy's signature, and route the documents to Purchasing. Purchasing must then check the documents for compliance with the purchase order. The documents are then forwarded to Accounting and must be there not later than noon Monday in order to be processed that week. If we were to attempt seriously to process payments within ten days, all of this must take place within one work day, the Friday the item was received. Consider also

that items are received by all departments at various locations within the City by any of five thousand employees. With Accounting consuming most of the available time for processing payment, it seems unreasonable to hold departments responsible for losing 10-day discounts. In summary, the presumption that the City must take advantage of a ten day discount, Thirty day discount, or ninety day discount, completely ignores the circumstances surrounding the purchase.

The following are specific comments relating to audit findings peculiar to the Department of General Services.

Attachment 2 (Audit Report)

Attachment 2 of the Audit Report listed seven items identified as General Services Department lost discounts. Three of these are open purchase orders which departments process for payment once each month. They, therefore, should not be considered for discounts on this report. The items are:

Oakland Paper & Supply	\$ 387.15	Discount - \$ 3.18
Graybar Electric	8,521.31	Discount - 72.40
West Coast Safety	4,747.17	Discount - 89.15

The second listed Graybar Electric payment of \$1,868.65 with a discount of \$27.38 was for three different departments' purchase orders (Fire, Airport, and General Services). The largest was for forty high pressure sodium lights costing \$1,312. They were shipped on October 10, 1984 (Wednesday) with an unknown delivery date. The check was issued on October 24, 1984, which was a Wednesday.

The air wrench from Universal Air Equipment Company costing \$71.89 offered a \$1.44 discount if paid by March 9. The time to process payments mentioned above would make this objective date impossible. The largest loss of discount was on the eleven trucks bought from James Chevrolet for \$217,298.46. They offered a \$200 discount on each unit if payment was made within twenty days. The inspection process to assure that the trucks received were exactly as specified was time consuming and the discount was lost.

Since then the receiving process has been altered so that receiving reports are processed prior to inspection with the thought that payment can be stopped if the equipment is not as specified. This is a very high risk to take in order to obtain a mere one percent discount and very well may result in a higher cost to the City.

The last item on Attachment 2 is not a General Services Department item as stated. The Airport Department was having a television surveillance system installed by Associated Systems, Inc. for \$39,096.60 which consisted of two and one half typewritten pages of electronic equipment and the installation of

this equipment. There was a partial payment made on March 17, for approximately one half the contracted amount and the balance made in May. The complexity of such equipment and the fact that it had to be installed to work in a satisfactory manner is not conducive to an accelerated payment process.

Attachment 3 (Overpayments)

The overpayments shown on Attachment 3 are as stated and appear to have occurred as an oversight by personnel involved.

Attachment 4 (Late Payments)

Attachment 4 gives some indication as to what is considered a late payment; however, there is no indication what might be a timely payment. After investigating the largest dollar amount item listed in this report, which is an open purchase order with Electric Battery Station, the following conditions were found to exist. The monthly activity on this purchase order is averaging forty transactions at about \$2,300 per month. The tags are accumulated at our fiscal section awaiting the pink copies of the invoices to be sent by the vendor through Finance Department to our fiscal section. The vendors normal practice is to ship these invoices after the close of business for any given month. Thus, the late payment is as a result of the vendor's billing process not through any negligence or lack of training of our fiscal staff.

Incorrect Use of Forms

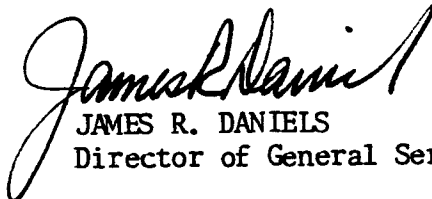
The statement that an open purchase order should have been used instead of a confirming purchase order for Hassan Janitorial Service is an opinion based on limited understanding of the conditions present at the time. First the item listed as General Services is actually the set-up and take down services for the Convention and Cultural Facilities. These set-up services are required for the performances that are scheduled at their facilities. The annual cost necessitates soliciting bids. The successful bidder did not have the required insurance at the beginning of the year; therefore, could not be allowed to perform the work. Since the exact time of filing the required insurance is not known, the services had to be provided incrementally using the confirming purchase order. The Audit Statement is based on an opinion that confirming purchase orders are for emergencies only. This conclusion can be made from the first two lines of the description of the confirming purchase order stated in Section 252.5 of the Administrative Manual. However, if the reader were to read on, the description states "...or that it is absolutely essential for continued vital economic operation of a particular operation or department." It is our view that this instance constitutes a correct use of a confirming purchase order.

Attachment 5 (Deficient Approving Signatures)

Attachment 5 lists two incidents of deficient approving signatures. The \$5,858.78 payment approval to Mardon Body Shop was effecting payment for eleven separate purchases and was signed by our Staff Analyst, Lee Horning, as

an oversight. The receiving tag with a deficient approving signature to Normadin Chrysler was signed by a Maintenance Supervisor, Vester Loyd, who purchased a truck wheel for approximately \$58.00. This tag was processed with other tags amounting to \$2,430.15. At the time of processing, this Department had two open purchase orders with Normandin Chrysler. One for the parts men working out of the warehouse and the second for the maintenance supervisors. Vestor Loyd is authorized to obtain parts on the second purchase order and the error was that the tag was processed for payment against the wrong purchase order.

In summary, my concern with this audit is that it does not reflect some important constraints on payments for non-personal expenditures which are in my opinion more important considerations than lost discounts.


JAMES R. DANIELS
Director of General Services

jg(5092G)

cc: Ed Schilling
Ellis Jones
Emily Harrison

NON-PERSONAL EXPENDITURE REVIEW - SAMPLING RESULTS
 AUDIT SAMPLE OF CHECKS PROCESSED
 For the Fiscal Year Ended June 30, 1985
 With Comparative Figures for the Period June 1, 1983 to June 30, 1984

TYPE OF EXCEPTION	1984-1985 (12 MONTHS)			1983-1984 (13 MONTHS)			
	NUMBER OF EXCEPTIONS IN SAMPLE	PERCENT OF 1183 SAMPLES	DOLLAR RANGE OF ITEMS WITH EXCEPTIONS	NUMBER OF EXCEPTIONS IN SAMPLE	PERCENT OF 1141 SAMPLES	DOLLAR RANGE OF ITEMS WITH EXCEPTIONS	PERCENT INCREASE (DECREASE)
1. Deficient approving signatures	10	.85 %	\$30-\$5,859	2	.17 %	\$185-\$384	400 %
2. Overpayments and computation errors	7	.59 %	\$0.05-\$17,535	1	.08 %	\$5	638 %
3. Inadequate supporting documentation	16	1.35 %	\$14-\$390	30	2.63 %	\$12-\$11,022	(49 %)
4. Incorrect use of forms	4	.34 %	\$96-\$10,738	0	0	0	∞
5. Incorrect account codes	0	0	0	0	0	0	0
6. Late payments	14	1.18 %	\$82-\$229,078	10	.88 %	\$15-\$3,898	34 %
7. Lost discounts	22	1.86 %	\$1-\$2,200	11	.96 %	\$1-\$421	94 %
8. Non-compliance with expenditure limitations	3	.25 %	\$22-\$251	2	.17 %	\$17-\$77	47 %

NON-PERSONAL EXPENDITURE REVIEW - SAMPLING RESULTS
LOST DISCOUNTS
Fiscal Year Ended June 30, 1985

CHECK DATE	DEPT	VENDOR	CHK NO	CHECK AMOUNT	DISCOUNTS LOST
STATISTICAL SAMPLE					
9/ 5/84	GSD	Oakland Paper & Supply	1143073	\$ 387.15	\$ 3.18
10/10/84	GSD	Graybar Electric	1146483	8,521.31	72.40
10/24/84	WPCP	Fiberglass	1147813	17,434.05	348.68
10/24/84	GSD	Graybar Electric	1147932	1,868.65	27.38
10/31/84	N. Maint	Reed & Graham	1148760	13,826.59	452.16
12/19/84	WPCP	Stove Plumbing Supplies	1154163	670.96	5.56
1/23/85	Airport	Bell Electric Supply	1156804	724.30	3.89
2/20/85	P&R	Northern Distributing	1159752	615.24	2.35
3/13/85	WPCP	Diesel Engineering	1161530	5,305.00	53.05
3/13/85	GSA	Univ Air Equip Co	1161973	71.89	1.44
3/22/85	ISD	Vanier Graphics	1162919	4,440.61	4.63
4/17/85	Airport	A&M Motor Supply	1165394	143.14	2.86
5/ 1/85	Airport	Beck's Shoes	1167043	2,128.42	21.28
5/ 8/85	N. Maint	Reed & Graham	1168137	17,855.34	297.96
5/ 8/85	Fire	Pacific Hardware & Steel	1168118	553.91	10.40
5/15/85	PW	McGuire & Jubet	1168720	729.65	13.64
5/22/85	WPCP	Graybar Electric	1169689	77,533.75	50.41
Subtotal				152,809.96	1,371.27
JUDGMENTAL SAMPLE					
8/29/84	GSD	James Chevrolet	1142602	217,298.46	2,200.00
10/17/84	N. Maint	Granite Rock Co.	1146801	53,555.34	1,259.81
12/05/84	Airport	National Coach Corp.	1151643	155,315.69	776.22
1/ 2/85	GSD	West Coast Safety	1154864	4,747.17	89.15
4/17/85	GSD	ASSO Systems Inc.	1165240	19,362.35	350.00
Subtotal				450,279.01	4,675.18
Total				\$ 603,088.97	6,046.45

NON-PERSONAL EXPENDITURE REVIEW - SAMPLING RESULTS
OVERPAYMENTS
Fiscal Year Ended June 30, 1985

CHECK DATE	DEPT	VENDOR	CHK NO	CHECK AMOUNT	ERROR AMOUNT	COMMENTS
STATISTICAL SAMPLE						
9/26/84	GSD	Keenan Supply Inc.	1145226	\$ 2,322.69	\$ 586.73	Overbilled by vendor. Error was corrected by credit memo on 11/7/84.
1/16/85	WPCP	Applegate Personnel Agency	1156215	2,257.07	92.80	Vendor received \$92.80 more than was indicated in the Open Purchase Order.
Subtotal				4,579.76	679.53	
JUDGMENTAL SAMPLE						
4/10/85	GSD	Frontier Ford	1164793	109,949.28	1,086.00	Overpayment on purchase of vehicles. City paid license fees, which the City did not have to pay.
7/18/84	P&R	Santa Clara County	1138807	1,876.69	0.05	Computation error.
Subtotal				111,825.97	1,086.05	
Total Overpayments				\$ 116,405.73	\$ 1,765.58	

NON-PERSONAL EXPENDITURE REVIEW - SAMPLING RESULTS
LATE PAYMENTS
Fiscal Year Ended June 30, 1985

CHECK DATE	DEPT	VENDOR	CHK NO	CHECK AMOUNT	TIME DELAY	DAYS
STATISTICAL SAMPLE						
10/17/84	WPCP	Hose & Fittings	1146865	\$ 139.71	Inv date 8/20/84; pd 10/17/84	58
10/24/84	Airpt	B F Goodrich	1147929	83.16	Rec'd 9/5/84; pd 10/24/84	49
9/19/84	GSD	Otis Elevator Co	1144591	1,104.06	Rec'd 7/19/84; pd 9/19/84	62
12/12/84	Persn	Gordon Levin MD	1153276	734.25	Services 10/10/84; pd 12/12/84	63
12/19/84	WPCP	Pioneer Liquid Trans	1153900	185.00	Services 10/22/84; pd 12/19/84	58
1/ 9/85	GSD	Electric Battery Sta	1155631	2,225.61	36 invoices dated 10/31/84 thru 11/29/84; pd 1/9/85	70
1/ 9/85	Libr	U S Government	1155859	244.00	2 invoices dated 10/24/84 and 10/29/84; pd 1/9/85	77
6/ 6/85	GSD	Northaire Suppl Inc	1171005	1,414.06	Services 4/9/85 thru 5/13/85; pd 6/6/85	57
6/19/85	Persn	Barbara Markey	1172547	441.94	Inv dtd 4/22/85; pd 6/19/85	58
6/12/85	Airpt	Le Deit Brothers	1171673	82.41	Inv dtd 2/4/85; pd 6/12/85	128
Subtotal				6,654.20		
JUDGMENTAL SAMPLE						
12/19/84	GSD	Hassan Janitorial Sv	1154002	591.50	Inv dtd 9/30/84; pd 12/19/84	80
12/26/84	Police	Hyatt San Jose	1154552	1,178.40	Inv dtd 10/29/84; pd 12/26/84	58
12/26/84	Persn	Plateau 7	1154785	335.95	Inv dtd 10/17/84; pd 12/26/84	70
2/ 6/85	Atty	County of Sta Clara	1158226	229,078.00	3 invoices dated 10/1/84 thru 11/20/84; pd 2/9/85	131
Subtotal				231,183.85		
Total				\$ 237,838.05		

NON-PERSONAL EXPENDITURE REVIEW - SAMPLING RESULTS
DEFICIENT APPROVING SIGNATURES
Fiscal Year Ended June 30, 1985

CHECK DATE	DEPT	VENDOR	CHK NO	INVOICE AMOUNT	COMMENTS
STATISTICAL SAMPLE					
7/11/84 Clerk		Town Affiliation Association	1138099	\$ 400.00	Supporting document was not signed.
7/18/84 Police		Robello's Towing Service	1138786	47.00	Supporting document was not signed.
10/ 4/84 Fire		Delia's Cleaners	1145662	373.16	P.O. states who may sign receiving tags. Receiving tag was signed by pers not listed on P.O.
10/10/84 Manager		State of California	1146306	30.00	Supporting document was not signed.
11/ 7/84 GSD		Mardon Body Shop	1149465	5,858.78	P.O. was signed by deputy authorized to approve purchases up to \$5,000 only.
11/28/84 P&R		Tractor Equipment Sales	1151500	547.85	Receiving tag was signed by person not authorized by purchase order.
7/ 3/84 N. Maint		Beck's Shoes Inc.	1137357	418.83	Receiving tag was not signed by supervi as required by purchase order.
9/12/84 Attorney		T&B Legal Service	1143949	93.00	One of four supporting documents was no signed.
6/12/85 P&R		Lucky Stores Inc. #44	1171678	325.29	Receiving tags were signed by persons not authorized by purchase order.
6/20/85 GSD		Normandin Chrysler	1172567	2,430.15	Receiving tag was signed by person not authorized by purchase order.

				\$ 10,524.06	
				=====	

ATTACHMENT VI

NON-PERSONAL EXPENDITURE REVIEW - SAMPLING RESULTS
 NON-COMPLIANCE WITH EXPENDITURE LIMITATIONS
 Fiscal Year Ended June 30, 1985

DATE	DEPT	VENDOR	CHK NO	AMOUNT	COMMENTS
STATISTICAL SAMPLE					
8/28/84	GSD	Pranschke Constuction Inc.	1150120	\$ 160.00	Rates billed exceeded rates indicated in Open Purchase Order.
2/20/85	P&R	Northern Distributing Co.	1159752	250.64	4 line items billed exceeded amount limitations indicated in Purchase Order.

		Subtotal		410.64	

JUDGMENTAL SAMPLE					
7/20/84	Libr	Petty Cash	1139622	21.60	Security Guard was paid mileage from home to worksite.

		Total		\$ 432.24	
				=====	

NON-PERSONAL EXPENDITURE REVIEW - SAMPLING RESULTS
 INADEQUATE SUPPORTING DOCUMENTATION
 Fiscal Year Ended June 30, 1985

CHECK DATE	DEPT	PAYEE	CHECK NO	CHECK AMOUNT	COMMENTS
STATISTICAL SAMPLE					
7/11/84	Priv Dev	Robert Stevens	1138300	\$ 206.40	Destination of travel not indicated on claim.
9/12/84	Pub Wrks	Susan Glass	1144091	390.10	" " " " " " " "
10/10/84	Neigh Pr	Edward McDonald	1146717	174.00	" " " " " " " "
12/12/84	Neigh Pr	Robert Meritt	1153526	13.80	" " " " " " " "
12/12/84	Pub Wrks	R. A. Silva	1153558	240.40	" " " " " " " "
12/12/84	Pub Wrks	Tim Town	1153569	172.90	" " " " " " " "
4/10/85	Pub Wrks	Charles E. Stucker	1165193	108.30	" " " " " " " "
5/15/85	Neigh Pr	Frank D. Barclay	1169012	115.80	" " " " " " " "
5/15/85	Neigh Pr	Richard Muramoto	1169180	102.00	" " " " " " " "
5/15/85	Pub Wrks	Charles E. Stucker	1169231	108.30	" " " " " " " "
6/12/85	Pub Wrks	Frank Mello	1171833	218.60	" " " " " " " "
6/12/85	Pub Wrks	Danny Tsao	1171907	13.50	" " " " " " " "
6/12/85	Pub Wrks	Robert D. Rogers	1172018	305.50	" " " " " " " "
6/19/85	Police	Jo Ann Dirks	1172724	21.60	Beginning and ending odometer reading not shown.
6/19/85	Police	Margaret Murray	1172794	66.00	" " " " " " " "
6/19/85	Pub Wrks	Hung Ngo	1172916	23.70	Origin, purpose, and destination not shown.
Total				\$ 2,280.90	

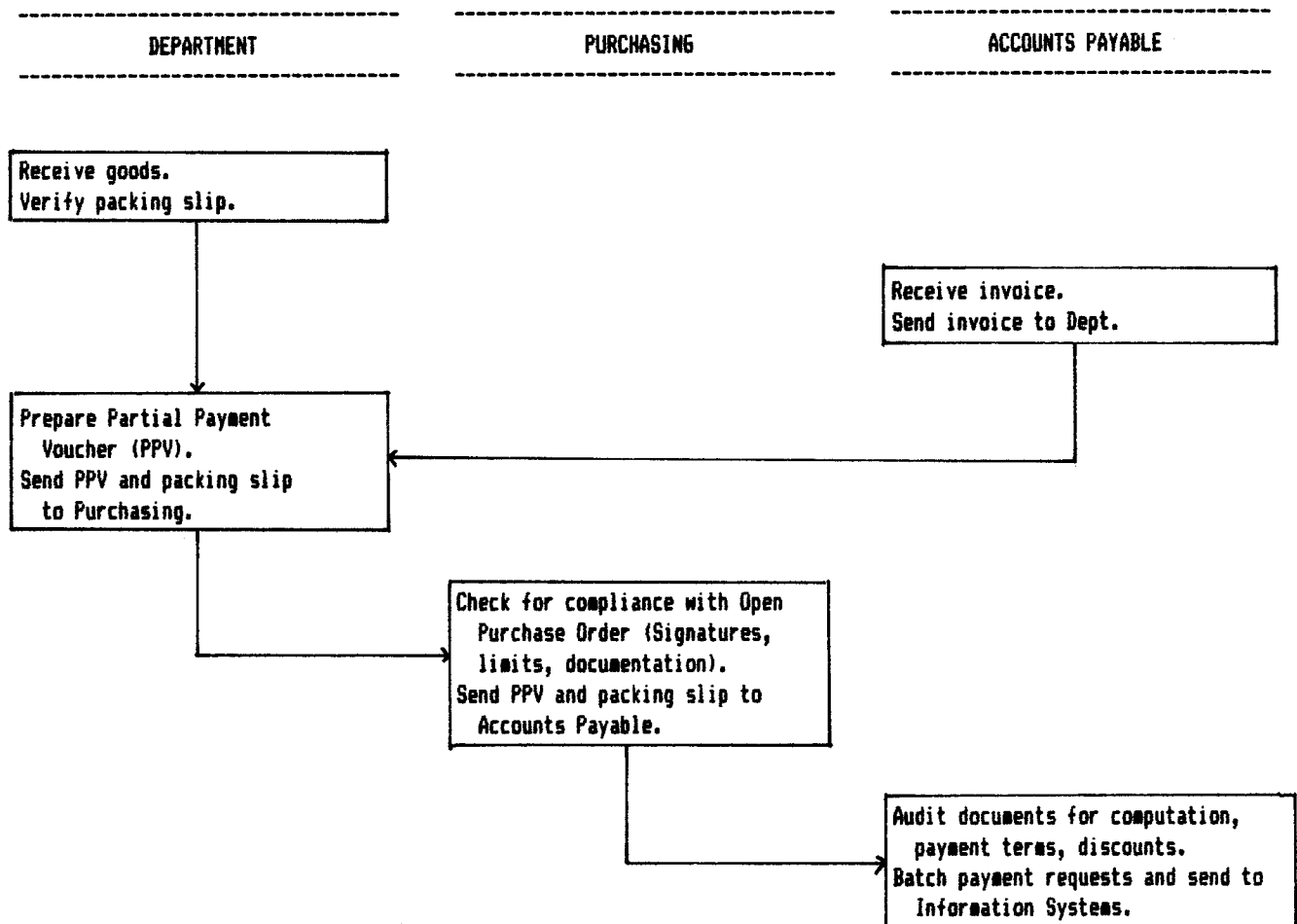
NON-PERSONAL EXPENDITURE REVIEW - SAMPLING RESULTS
 INCORRECT USE OF FORMS
 Fiscal Year Ended June 30, 1985

CHECK DATE	DEPT	VENDOR	CHK NO	CHECK AMOUNT	COMMENTS
STATISTICAL SAMPLE					
1/ 5/85	P & R	David Moore	1154906	\$ 96.00	Confirming Purchase Order should have been used instead of Special Payment Demand.
Subtotal				96.00	
JUDGMENTAL SAMPLE					
12/19/84	Police	California Combat Assn.	1153943	456.81	Regular Purchase Order should have been used instead of a Confirming Purchase Order.
12/19/84	GSD	Hassan Janitorial Service	1154002	10,738.00	Open Purchase Order should have been used instead of a Confirming Purchase Order.
2/20/85	Atty	Western Rents	1159475	192.75	Confirming Purchase Order should have been used instead of Special Payment Demand.
Subtotal				11,387.56	
Total				\$ 11,483.56	

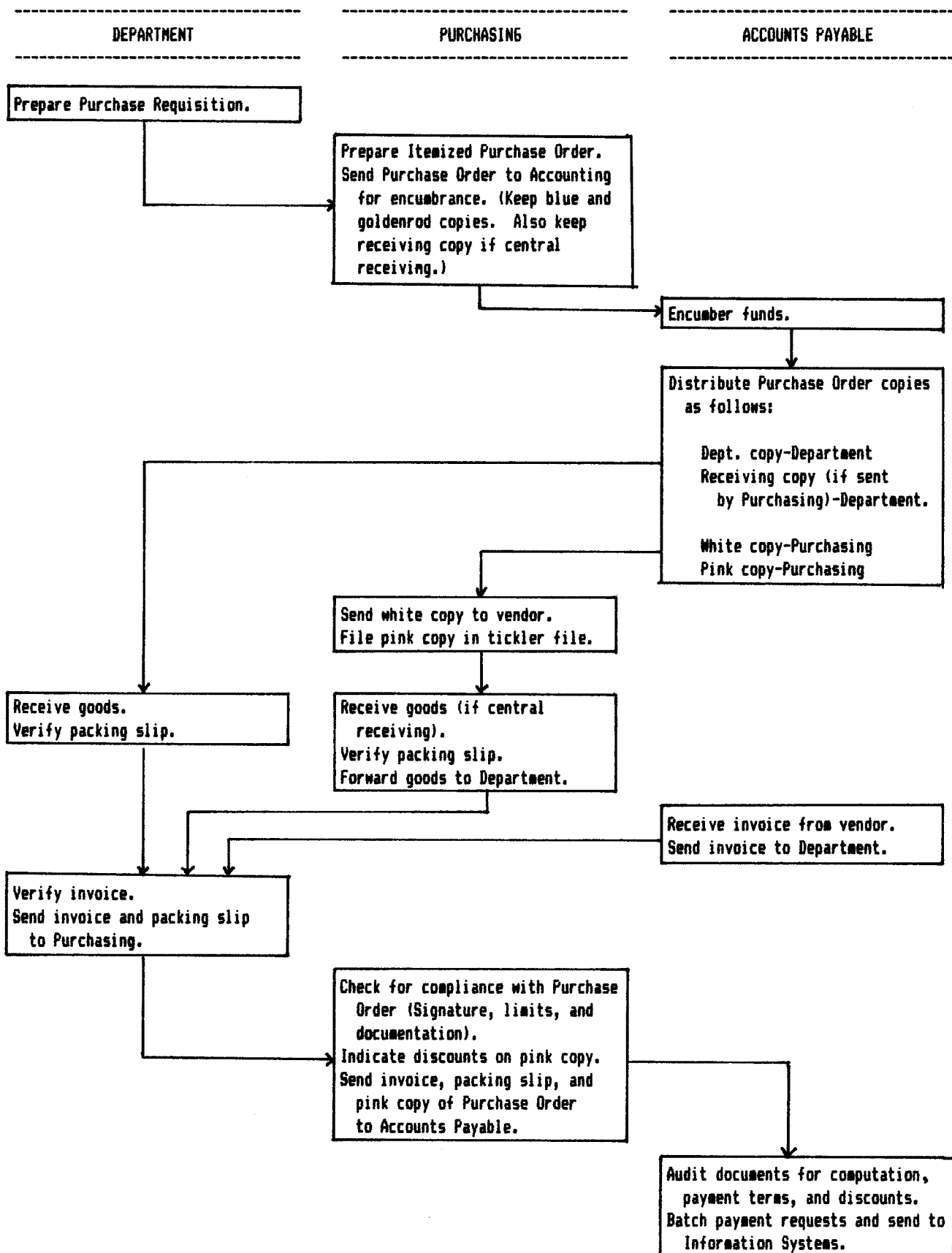
NON-PERSONAL EXPENDITURE REVIEW - SAMPLING RESULTS
COMPUTATION ERRORS
Fiscal Year Ended June 30, 1985

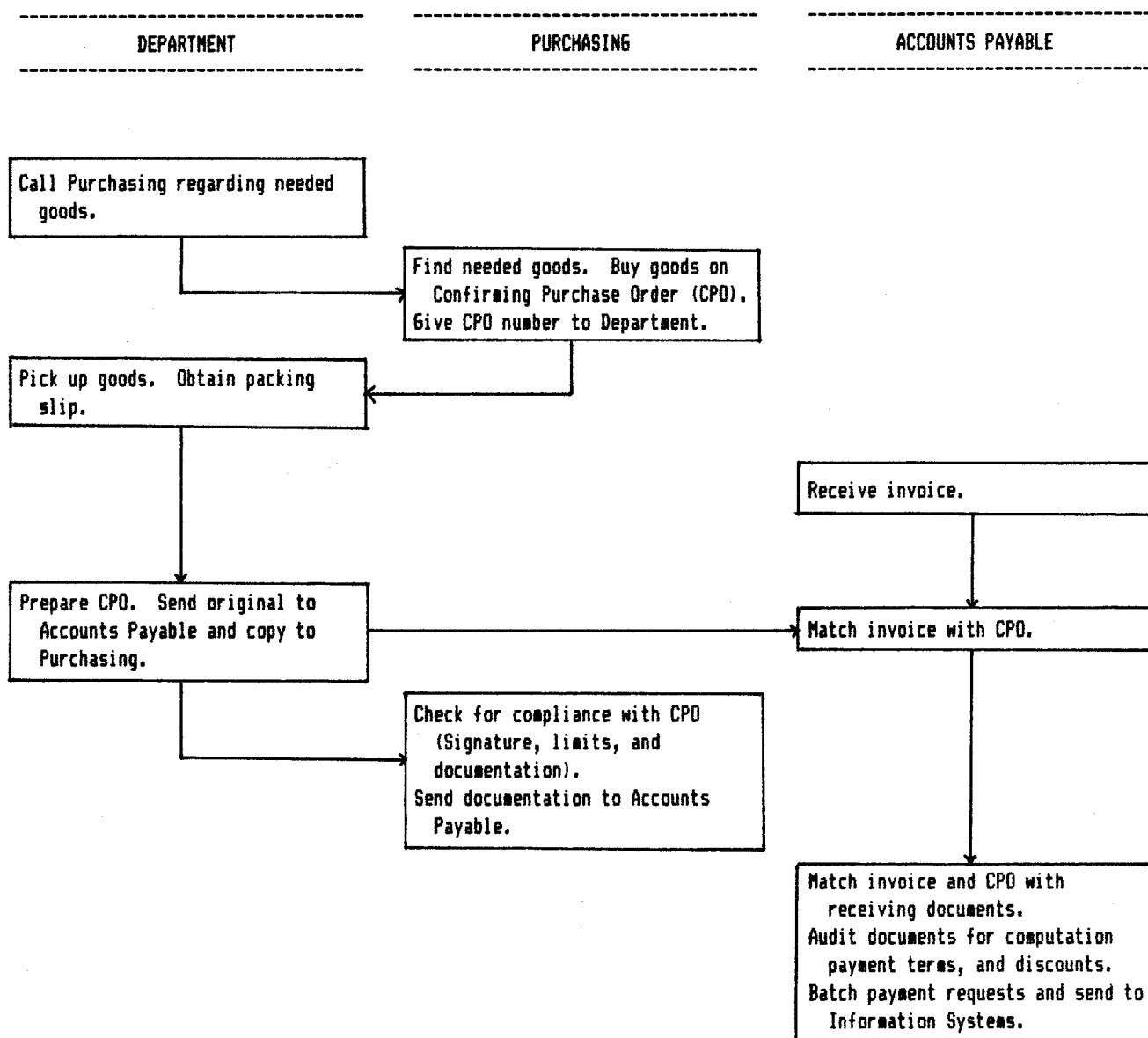
CHECK DATE	DEPT	PAYEE	CHK NO	ERROR AMOUNT	COMPUTATION ERROR
JUDGMENTAL SAMPLE					
4/03/85	Fin	CSJ Pol & Fire Retirement Syst	9999998	\$ 379.25	Error in computing City's contribution to the retirement system.
5/01/85	Fin	CSJ Pol & Fire Retirement Syst	9999998	17,413.58	Error in computing City's contribution to the retirement system.
5/01/85	Fin	CSJ Federated Retirement Syst	9999999	(17,535.15)	Error in computing City's contribution to the retirement system.

Net Computation Error				\$ 257.68	
				=====	

OPEN PURCHASE ORDERS
DOCUMENT FLOW

ITEMIZED PURCHASE ORDERS DOCUMENT FLOW



CONFIRMING PURCHASE ORDERS
DOCUMENT FLOW

SPECIAL PAYMENT DEMANDS
DOCUMENT FLOW